

Senator Bill Finkbeiner

A Citizen's Guide to Taxes

45th LEGISLATIVE DISTRICT

Dear Friends,

Both as your neighbor and as your state senator I know the importance of understanding how government functions. Our tax and regulatory system is very complicated, but it's useful for all of us to have a basic knowledge of where our money goes, and why it goes there.

People are thinking about taxes, and I don't blame them. With their strong support for Initiative 695, the people of this state sent state and local government a very clear message: They want legislators, city and county officials to find ways to make tax dollars work harder, and they want to keep more of the money they earn.

Even though I-695 will reduce state revenues, it is not a crisis. And it's certainly not a reason to punish voters by cutting essential services. It is, I believe, an opportunity to re-think and re-prioritize the functions of state and local government. For example, other states have saved billions through privatizing government programs and opening projects to competitive bidding. Washington state should be doing the same.

Critical education, transportation and public safety programs can be maintained and even improved if government at all levels gets to work and finds smarter ways of doing business.

City and county governments should seek to cut waste, and ensure that every program is operating at peak efficiency.

I-695 presents an opportunity to go through this kind of rigorous, but healthy, budget exercise. It will take a lot of hard work. The Legislature should avoid the temptation of dipping into state emergency reserve funds before we have gone through the process. After that process is complete, I am convinced that the state will be in a position to deliver even greater tax relief (see inside).

During this legislative session I plan to work toward these principles of smaller, more efficient, more privatized government, so that the tax burden we face is brought to a reasonable level. I will also work to protect the voter-approved spending limit that has brought significant fiscal discipline to state government.

Please take a few moments to look at how state and local taxes affect you and your family, and feel free to contact my office in Olympia if you have any questions. Thank you.

Sincerely,



Sen. Bill Finkbeiner
45th Legislative District



Sen. Finkbeiner and Sen. Jeanine Long, R-Mill Creek, discuss the importance of protecting the voter-approved state spending limit.

Did you know?

Washington ranked
10th in the nation for
state and local tax
collections per capita.

That year, residents
paid an average of
\$2,800 in state and
local taxes alone!

Source: US Census Bureau & Washington
Dept. of Revenue (DOR)

Committee assignments:

- ◆ Education,
ranking Republican member
- ◆ Higher Education
- ◆ Transportation

How you can reach me....

Senator Bill Finkbeiner
201 Irv Newhouse Building
PO Box 40445
Olympia, WA 98504-0445 . . . (360) 786-7672

- ◆ Toll-free Legislative Hotline: 1-800-562-6000
- ◆ TTY: 1-800-635-9993
- ◆ e-mail: finkbein_bi@leg.wa.gov
- ◆ Internet Information: <http://www.leg.wa.gov>
- ◆ Access Washington: <http://access.wa.gov>
- ◆ Homepage: <http://www.leg.wa.gov/senate/src/members/finkbein.htm>



At home...

Property taxes: Throughout my years in the Legislature, I've been committed to reducing the most burdensome tax upon homeowners and families: the property tax.

We are currently in a position to eliminate the state portion of the property tax. Here's why: Because of the voter-approved state spending limit (which some in Olympia now want to do away with), state revenues are growing much faster than the amount the state is allowed to spend. That spending discipline means the state is collecting too much from you and is in a position to allow taxpayers to keep more money.

Notable Quote:

"Death and taxes are both certain... but death isn't annual."

-Anonymous-

The property tax is the ideal tax to cut because it affects home ownership and the stability of our neighborhoods and schools. It impacts the ability of young families and retired citizens to afford and keep homes in our area.

The state's portion of the property tax accounts for 25 percent of your tax bill. Your property tax is broken down into three main pieces: the state regular levy, local regular levies, and voter-approved excess levies (see chart on right).

Most recently, I supported Senate Bill 5905 which completely eliminated the state portion of the property tax.



What would this mean to you? The median price for a home in King County is \$230,000. In 1999, the average state tax was \$3.40 per thousand dollars home value. That translates into roughly \$782 for the owner of an average home in our county. SB 5905, which would phase out that portion of your tax bill, remains in the Senate Ways and Means Committee and could be revisited during the 2000 legislative session.

The rest of your tax bill is comprised of average regular local levies and voter-approved excess levies. Statewide, they totaled \$10.16 per \$1,000 on average. Overall, the total property tax on an average King County home could be more than \$3,000. (Source: Dept. of Revenue/DOR)

Other possible taxes and government fees that may affect you, depending on where you live:

- Real estate excise tax;
- Public utility taxes for express, natural gas, sewerage collection companies, light and power companies, and water distribution companies;

■ Private utility taxes (passed along to the customer) for natural gas, electric, telephone, cellular telephone, garbage, water, sewer, storm drainage, and cable television;

■ Homeowner's and fire insurance premium tax; and

■ Wood stove fees. (Source: DOR)

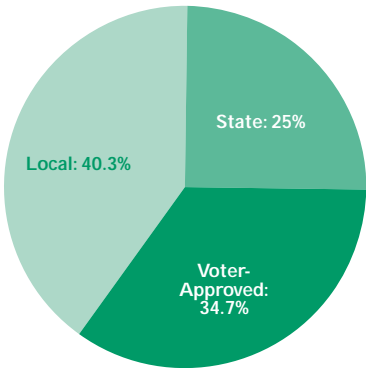
On top of that, the Building Industry Association of Washington recently estimated that 25 percent of the cost of a new home is directly attributable to impact fees, sewer hook-ups, taxes,

Did you know?

There are 1,747 taxing districts throughout the state!

energy code compliance, and the numerous other fees and regulations that drive costs up. The BIAW will include a "New Home Label" on each new home that breaks out how much of the cost of the home is due to government regulation.

Statewide Average Property Tax 1999 Rate



At the store...

The largest source of revenue for Washington State is the sales and use tax, which is levied upon consumers and collected by businesses.

The state's base tax rate is 6.5 percent. Local governments and other entities are allowed to levy additional taxes on top of that. In King County the total general sales tax is 9.3 percent.

In King County, only about 1.7 percent of the sales tax was approved by voters. On top of that, we pay another .5 percent for food and beverages sold by restaurants, bars, and taverns to help pay for Safeco Field.

"Washington is one of few states in the nation where government has its hand in your pocket before you can take any money out."

Independent Business Association of Washington

Some of the other items and activities upon which sales taxes are levied include:

- Cigarettes and tobacco products;

- Wine, beer, and liquor sales;
- Soft drinks;
- Aircraft fuel (paid primarily by private owners of small aircraft — commercial airlines are exempt);
- Lodging and car rentals;
- Horse racing, boxing and wrestling;
- Gambling, including punch boards, pull tabs, bingo, raffles, amusement games, and social card games; and
- Telephones (paid by every family who has a telephone).

(Source: DOR)

At work...

Whether you own your own business or work for someone else, you are either directly or indirectly impacted by a variety of taxes and regulations too numerous to list. Good economic times and business success stories are no excuse for excessive taxes and regulation. As a legislator, I have always supported efforts to bring fairness and predictability to the laws and taxes the state imposes. Here are some of the major areas where government affects the workplace:

■ **Business & Occupation (B&O) tax:** We have six different B&O tax rates for Washington businesses. This tax is levied upon all of the money a business brings in, not just the profits – there is no consideration for the costs of doing business, like purchasing raw materials or meeting employee payrolls. B&O tax rates vary from .011 percent to 5.029 percent.

■ **Municipal business taxes:**

- 36 cities levy an additional B&O tax on gross receipts, ranging from .17 to .22 percent;
- Roughly 130 other cities charge an annual license which is either fixed or based upon the type of business activity;

Business Blues

Washington has the highest business taxes in the West. Business pays 47 percent of all state and local taxes.

Source: Washington Research Council

- Another 36 cities measure the annual tax based on the number of employees; and
- Six others use the square footage of the business for measuring the annual license fee.

■ **Business filing fees and licensing fees:** Aside from what you pay your local government, business owners also pay a \$175 filing fee to start their business and another \$59 per year to hold a business license.

■ **Retail sales and use taxes:** Businesses are responsible for collecting retail sales and use taxes, ranging from 7 to 9.7 percent.

(Tax information: DOR)

"OWN A BUSINESS? LEARN THE REGULATION RAP"

Do you know what a Pensky-Martens cup tester is? Many Washington business people are expected to. Not only must they know what this is but they must know how to use it to determine if the waste produced by their business is hazardous or not.

Washington businesses comply with 58 sets of regulations imposed by state, local, and federal agencies. The average small business owner, an auto mechanic for example, must comply with more than 100,000 regulatory requirements. The Washington Industrial Safety and Health Act (WISHA) has more than 46,000 regulatory requirements. The trick for small business owners is to find out which ones apply to them and how to comply.

(Source: Independent Business Association)

Spotlight on regulation

"Want faster Internet? Confusing regulations slow your access."

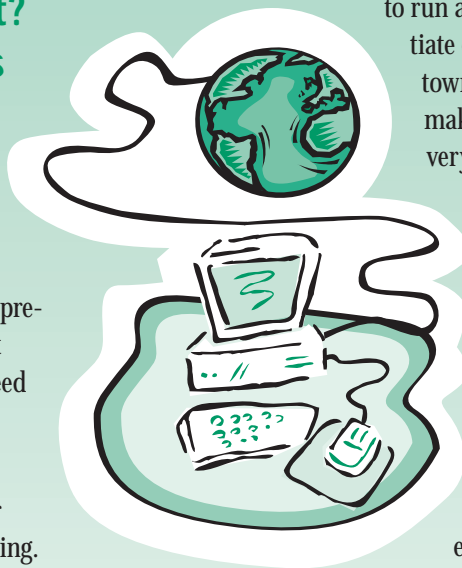
It's a fact: Much of our state's economic future depends on our ability to compete in the online marketplace.

In order to be competitive, dot-com entrepreneurs, software developers and just about every major industry depend on high speed internet access.

In our homes, we increasingly depend on access to high speed service providers for everything from shopping to telecommuting. Telecommuting has the potential to reduce business overhead, as well as automobile traffic.

So a big chunk of our future is riding on what is called "bandwidth," or the capacity to move large amounts of data over cable and wireless formats. One of the challenges Washington state faces is an extremely complex set of local regulations that make it difficult for service providers to install the necessary fiber optic, cable and wireless equipment to offer high bandwidth services around the state.

Each county and city has different regulations, called "rights of way," regarding access to land for the purpose of installing telecommunications equipment. So if a service provider wants



to run a line from one town to another, it must negotiate completely different contracts with every town in between, regardless of the distance. This makes the coordinated rollout of new services very difficult. And when the services finally do arrive, they may be more expensive for consumers.

I am sponsoring a bill to address the situation by streamlining the process. It preserves cities' rights to tax telecom providers for using their land, but creates uniform costs and procedures for each community. This will encourage telecom companies to get newer, faster services to even our most economically challenged rural communities of the state - communities that could use the services to attract businesses to locate in their areas and create new jobs.

The bottom line is that we need faster access, and we need it soon if we are going to remain competitive. This legislation will help private companies make the investments to make that happen.

I have also been working with the governor on several other telecommunications bills that will help to bring more high-speed services to market. Please visit my web page for more information:

<http://www.leg.wa.gov/senate/src/members/finkbein.htm>

What's in it for you?

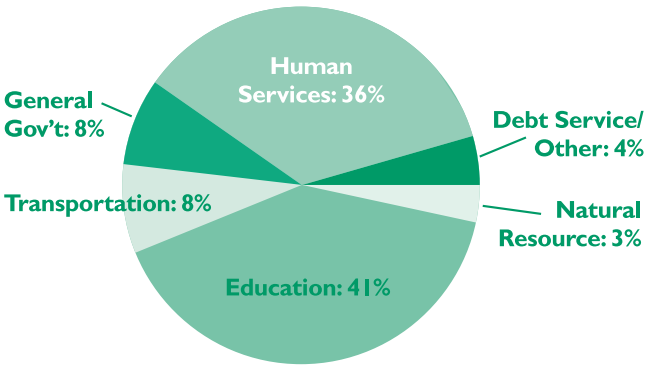
While it's always good to talk about lower taxes and less regulation, it's important to remember that government also does some good things — things we rely upon everyday.

In the three separate state budgets the Legislature approves, the state provides for things such as:

- Public education for our children and college students;
- Our vast public library system;
- Law enforcement, courts, rehabilitation programs, and prisons;
- Buses, trains, and ferries;
- Roads and highways;
- Assistance for the young, old, and needy who cannot take care of themselves; and
- Parks and recreation opportunities for our families to enjoy.

While government does provide these important services, my job as your state Senator is to work to ensure that our hard-earned tax dollars are being spent wisely.

Where Does Your Money Go?



Initiative 695

People demanded lower taxes and fees, and Initiative 695 passed overwhelmingly. What should state and local governments do to implement the will of the people and continue to reduce your tax burden?

- Government shouldn't punish the voters. The latest tax cut is not an excuse to eliminate critical services. Priority education, health, and public safety programs should remain fully funded.
- Introducing privatization and competition in government services is the solution to "filling the gaps." The 2000 legislative session should be treated as an opportunity to evaluate and prioritize every service government provides. That means reviewing every transportation project, every



program in every department. Privatization and competition should then be introduced wherever possible.

- The state should not use the passage of I-695 as an excuse to raid the state disaster fund. A tax cut is not a disaster.
- We should protect the state

spending limit that has greatly reduced state spending increases. People want more fiscal discipline in government, not less.

- We need to continue to reduce the tax burden whenever possible. Just as other states (Texas, for example) have saved billions through privatization and efficiency measures, so can Washington state. Citizens should realize the benefits of those efforts through real, permanent tax reductions.

A Citizen's Guide to Taxes

Senator Bill Finkbeiner
201 Irv Newhouse Building
PO Box 40445
Olympia, WA 98504-0445



BULK RATE
U.S. Postage
PAID
Olympia, WA
Permit #133